



# Group Hospitalization, Inc.

CHARTERED BY THE CONGRESS OF THE UNITED STATES

TRANSPORTATION BUILDING • 825 SEVENTEENTH STREET, N.W. • WASHINGTON 6, D. C. • REPUBLIC ~~3000~~ 7-5000

February 18, 1953

Government Employees Health Association  
Washington, D. C.

Gentlemen:

Accompanying this letter is a detailed comparison of the benefits offered by Group Hospitalization, Inc. and Medical Service of the District of Columbia, and the benefits offered by Government Employees Health Association's present plan for protection against the cost of hospitalization and surgical care. On pages 1 and 2 of the Comparison, I have endeavored to present in summary the essential differences between the two types of protection, including the cost. Before you review the Comparison, I would like to direct your attention briefly to a few important facts which you may wish to consider.

As you doubtless know, Group Hospitalization and Medical Service are community, non-profit institutions whose Trustees and Officers serve without pay. The Plans pay no commissions, and about 92 cents out of every dollar they receive is used to provide benefits for subscribers. Charges incurred by the Plans for services rendered to subscribers by hospitals and physicians during the past year amounted to almost \$9,000,000. Over 3,000 organizations are now cooperating in making the protection of Group Hospitalization available to more than 530,000 persons and this widespread public acceptance is the best indication I know of the high esteem the Plans enjoy.

## Service Benefits

In considering the protection offered by Group Hospitalization, it is important that you keep in mind that when an employee enrolled in this Plan is admitted to a participating hospital for non-obstetrical care, Group Hospitalization offers Hospital Service Benefits regardless of cost. These benefits usually cover all or a major portion of the hospital's bill.

The Surgical Service Plan, an additional protection available to subscribers to Group Hospitalization, also offers Service Benefits that cover the entire cost of surgical services rendered under the Contract by participating physicians to subscribers whose incomes are within the amounts established by the Plan. The Surgical Service Plan also provides substantial benefits that help to pay the doctors' bills of subscribers whose incomes exceed the amounts that entitle them to complete coverage.

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### "Indemnity" Allowance

In contrast to the Service Benefits offered by Group Hospitalization and Medical Service are the "Indemnity" allowances offered by insurance companies. Indemnity plans provide an allowance applicable to the cost of room and board for a stipulated number of days, plus a maximum lump sum which may be applied to the cost of what usually are referred to as "Miscellaneous Hospital Charges." The basic weakness of an indemnity plan is the limitation imposed upon the benefits offered. The cash allowance for room and board is seldom adequate, and this is true to an even greater extent with respect to the allowances for "Miscellaneous Hospital Charges" -- expenses for care beyond room and board. For persons enrolled in an indemnity plan, hospitalization expenses for care beyond room and board present a perplexing picture because charges for these services vary in the individual hospitals and the needs of the patient for costly drugs, use of hospital facilities, etc. cannot be pre-determined. An attempt to set a "ceiling" on allowances for "Miscellaneous Hospital Charges," therefore, is an unrealistic approach to a formidable problem. This is reflected in the examples of benefits set forth in two actual cases included in the comparison of benefits (pages 8 and 9). Furthermore, indemnity plans usually make no provision for protection to be continued in the event the employee's service is terminated.

### The Ideal Plan

The ideal plan, of course, is one that provides maximum protection to the largest number, and we sincerely believe that only through Group Hospitalization and Medical Service can this be accomplished. One can appreciate more fully the comprehensive protection provided by the service benefits of Group Hospitalization and Medical Service when these benefits and all the other advantages these Plans offer are compared with the following indemnity allowances which, I understand, your employees now receive:

Maximum daily allowance for room and board	\$ 6.00 *
Maximum allowance for "Miscellaneous Hospital Expense"	30.00
Maximum allowance for Surgical Care	150.00

\* For a maximum of 31 days

### Room and Board Daily Benefit

An allowance of \$6 a day for room and board will not cover the charge for semi-private accommodations in any hospital in the Washington area. The rates range from \$9 (one hospital only) to \$13.50 a day. When your members are admitted to a hospital with a daily rate in excess of \$6, they have to pay the difference between the allowance and the hospital's charge for the room occupied.

Group Hospitalization offers subscribers admitted to participating hospitals up to 21 days of full hospital Service Benefits, regardless of cost (including semi-private accommodations, all medicines listed in the official formularies, meals and special diets) each hospital confinement. If additional hospitalization is required, the Plan will provide \$5 a day toward the hospital's charges for 180 additional days, making a total of 201 benefit days for each hospital confinement.

#### Renewal of Benefits

Successive confinements shall be considered to be continuous and to constitute a single confinement if discharge from and readmission to a hospital occur within a 90-day period. This means that benefit days will be fully renewed when 90 days have elapsed between the participant's discharge from the hospital and his next hospital admission.

#### Maternity Benefits

Maternity benefits are available under the Family Contract after it has been in continuous effect for 10 months.

The Family Contract provides an allowance of up to \$9 a day toward the hospital charges for a maximum of eight days for any one pregnancy; except:

For Caesarean deliveries, termination of ectopic pregnancies and miscarriages, the Family Contract offers full service benefits.

In addition to the above benefits, the Surgical Plan offers allowances ranging from \$80 to \$150 for delivery plus \$20 to \$30 for anesthesia, plus liberal allowances for x-ray and clinical laboratory examinations, if required. For a normal delivery, maximum benefits offered by the Hospital and Surgical Service Plans would amount to at least \$172 -- more if x-rays and laboratory examinations are indicated.

#### Surgical Service Benefits

The Surgical Service Plan of Medical Service provides allowances of up to \$250 for surgical expense and these allowances will be accepted as full payment by the physician for services rendered under the Plan if the income of a single participant does not exceed \$3,000 a year and the family income of a family participant does not exceed \$5,500 a year. It is reasonable to assume that a number of your employees are eligible for complete coverage of the services offered by the Surgical Plan.

It is well to keep in mind that while an indemnity policy may offer a maximum allowance of \$150 for surgery, payment for each surgical procedure is made according to a fixed schedule and may not exceed the established fee for the service rendered. This fee, of course, frequently may be less than the physicians' usual charge and when this

occurs, regardless of his income, an employee who is covered by an indemnity plan must pay the difference. Furthermore, the GEHA policy limits the benefits it offers to a single surgical procedure when more than one procedure is necessary. There is no such limitation on the benefits offered by Medical Service.

#### Related Services

In addition to the amounts provided for surgery, the Surgical Plan of Medical Service of the District of Columbia offers allowances of up to \$40 for each procedure, with no limit on the number of procedures, for Related Services -- Administration of Anesthetics, Diagnostic X-ray Service and Laboratory Examinations -- which are covered while a subscriber is hospitalized for and is receiving surgical or obstetrical services covered by the Plan.

#### Home and Office Care

The Surgical Plan offers benefits for the following currently specified services when rendered in the home or in the doctor's office: emergency treatment of fractures and dislocations; excision of superficial tumors and cysts; external thrombosed hemorrhoids; suturing lacerations (up to \$15); delivery; nasal polyp removal; chalazion removal; probing tear duct (initial); and circumcision.

#### Out-of-Town Benefits

If the members of your Association are enrolled in our Plans, they will enjoy the protection of Service Benefits for hospital care received while they are away from the Washington area. Group Hospitalization is one of 81 Blue Cross Plans in the United States and Canada which have an Inter-Plan Service Benefit Agreement for the convenience and protection of their subscribers. When a subscriber is admitted to one of approximately 4,500 hospitals that participate in this program, he will receive the benefits offered by the Blue Cross Plan in which that hospital participates for the number of full benefit days to which he is entitled under his Hospital Service Contract.

Their out-of-town hospitalization benefits will be greater when subscribers are admitted to a hospital that participates in the Inter-Plan Service Benefit Agreement; however, if they are admitted to one of the few accredited general hospitals that do not participate in the Inter-Plan Service Benefit Agreement, their Contract will provide cash allowances that range from a maximum of \$21 for the first day of hospital care to \$274 for 21 days for each hospital confinement. They will also receive the amounts provided in the Schedule of Fees for services rendered under the Surgical Plan.

Protection for Dependents

If your members are enrolled in Group Hospitalization and Medical Service, dependents who are enrolled under the Family Contract will be eligible to receive the hospital and surgical Service Benefits offered by the Plans. Furthermore, members may enroll unmarried dependent children between the ages of 18 and 25 years under a Sponsored Individual Contract.

Continuous Protection

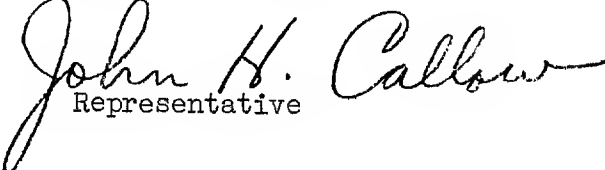
If your members are enrolled in Group Hospitalization and Medical Service of the District of Columbia, arrangements usually may be made for them to continue their protection in the event they change jobs, retire or are unemployed. Furthermore, if a subscriber moves to an area served by any of the 85 Blue Cross Plans that participate in the Inter-Plan Transfer program, arrangements will be made to transfer his Contract to that Blue Cross Plan. This will enable him to enjoy the continuous protection of Service Benefits.

Enrollment of Unenrolled Employees

Applications of unenrolled members may be accepted monthly, within 60 days of the date of their appointment.

I am sure you appreciate the value of the comprehensive protection Group Hospitalization and Medical Service provide and if you desire additional information about these Plans, I shall be happy to cooperate in every way I can.

Very truly yours,

  
Representative